KRAFTCO CORPORATION
1971 ANNUAL REPORT

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CORPORATION FILE

On The Cover

A key element in our advertising is photography . . . specifically, photos of food, such as the one on the cover and those you will see elsewhere in this report. These photos were taken in the photographic studio at our Kraft Foods Division by the same people who take all the photos which appear in Kraft's printed advertisements. And, as in all our advertising, the food shown is real product, taken from the same packages and prepared according to the same recipes and menus that are available to consumers. Special care is taken, of course, to display the food attractively, but no artificial aids or cosmetic devices are *ever* used . . . just the natural product, which becomes part of our message "Good Food and Good Food Ideas."

Annual Meeting

Stockholders of Kraftco Corporation are cordially invited to attend our Annual Meeting, Thursday, April 20, 1972, at 11 a.m. in the Auditorium of the First National Bank Building, Peachtree and Marietta Sts., Atlanta, Georgia.

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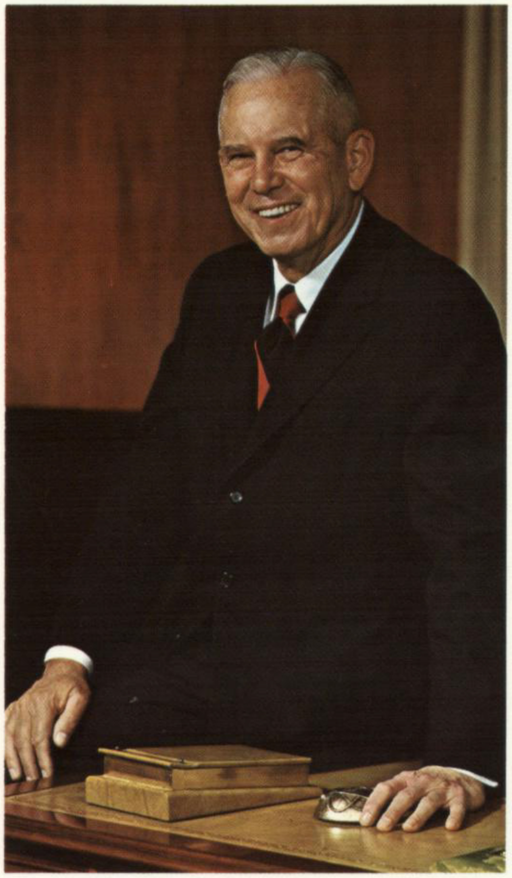
KRAFTCO CORPORATION
1971 ANNUAL REPORT

Financial Highlights	**1971**	1970
Sales	**$2,959,636,000**	$2,751,129,000
Earnings	**$ 91,347,000**	$ 82,006,000
Per Share	**$3.25***	$2.93*
Per Dollar of Sales	**3.09%**	2.98%
Federal and Foreign Taxes on Income	**$ 87,165,000**	$ 81,331,000
Per Share	**$3.10**	$2.90
Dividends to Stockholders	**$ 47,642,000**	$ 47,507,000
Per Share	**$1.70**	$1.70
Capital Expenditures	**$ 87,356,000**	$ 75,526,000
Depreciation	**$ 40,733,000**	$ 42,029,000
Working Capital	**$ 421,319,000**	$ 358,429,000
Stockholders' Equity	**$ 732,391,000**	$ 685,055,000
Number of Stockholders	**71,461**	71,538

*$3.21 in 1971 and $2.92 in 1970, assuming full conversion of the 7½ % Convertible Bearer Bonds.
Financial Review and Statements begin on page 12.

To Our Stockholders:



Gordon Edwards
Chairman of the Board

William O. Beers
President

Kraftco in 1971 had another successful year. The sale of a record volume of products, coupled with generally improved operating efficiencies and considerably improved results in international operations, contributed to increased sales and earnings. Although general economic conditions throughout the world presented difficult operating problems, the primary obligation of supplying consumers with high-quality products profitably was met.

The improvement in results made it possible to increase the dividend rate in the first quarter of 1972 to 44.2 cents per share from the 42.5 cents in effect for the last eleven quarters. This increase of 1.7 cents is the maximum allowable under the present United States economic controls.

In other sections of this report the worldwide operations and the affairs of the Corporation which led to these successful results are described, as well as some of the activities in which the Company participated during the year.

Against a background of steady growth your Company continues to maintain a sound financial position. An indication of this strength came early in the year when $50 million of sinking fund debentures were issued.

For the first time, the Company received a Aaa rating by Moody's Investors Service. At that time, no other food company and only three other industrial companies had as high a rating.

The Company also continues to have a strong and growing consumer franchise in the many markets around the world in which it and its subsidiaries operate. Management is, therefore, optimistic about the future and its ability to identify and serve the needs and desires of the consumers of our products.

Nevertheless, because of the potential impact on your Company, some comment should be made concerning some of the aspects of the current economic and social climate in which it operates.

One aspect of particular concern is the widespread misunderstanding of the level and role of profit in the world's economy.

In a recent study a representative group of Americans were asked to give their opinions as to what percentage of each dollar of sales they thought the average business made in profit after the payment of expenses and taxes. The median estimate was 27%.

High school graduates thought the figure to be 26%. College graduates said 20%. There were some higher and some lower estimates by high-income families, low-income families, stockholders and non-stockholders.

Obviously, many people just don't seem to know, because the actual figure is 5.1%. For Kraftco in 1971 it was only 3.1%. In others words, profit is approximately 5¢ out of every dollar of sales for U.S. industry as a whole and approximately 3¢ for Kraftco.

Similarly, it seems that the elementary purpose of the profit system is widely distorted and misunderstood. Therefore it is appropriate to remind ourselves that everything industry and Kraftco is able to achieve depends on the ability to operate in such a way as to produce profit.

In the first place, profit is used to pay dividends to stockholders who risk their savings by investing in business enterprises.

In the second place, profit not paid out as dividends is re-invested to provide capital improvements and expansion to meet the growing demand for product and to provide employment for an expanding work force.

In addition to these primary uses of net profit, the profit system also provides products and services in greater quantity and quality than any other economic system yet devised.

To name a few, it provides the goods and services essential for life itself.

It provides jobs and incomes for the world's population with the many employee benefits, such as insurance, pensions and vacations.

It provides funds for research which is responsible for the advancement of technical knowledge and product development.

It makes possible important contributions to many areas of community responsibility.

And over one-half of most businesses' profit is paid out in taxes which support all local, state and Federal government services. In 1971 Kraftco paid $129,009,000 or $4.59 per share in taxes in addition to those paid by its employees who earned incomes from Kraftco of $392,997,000 last year.

Thus, although profit is not the sole concern of Kraftco, it is important because from it everything else follows.

Paralleling the widespread lack of knowledge about the function of profit in the economic system, there seem to be other areas of misunderstanding about the business attitude toward its obligations to society.

One area of concern is certain aspects of consumer activism. Meeting consumer demand in the many areas of the world where Kraftco and its subsidiaries operate has always been the lifeblood of this Corporation. And while constructive suggestions and criticisms are welcome, much of the rhetoric seems to indicate that many are overlooking the fact that people in business are concerned citizens and actually are responsible for the research and development which in recent years have produced the greatest social gains in the history of man.

In fact, business people themselves are consumers and are affected in their personal lives just like everyone else. They use the same products and services and live in the same environment. We are a nation of consumer-producers.

There have been instances in which actions taken hastily to meet apparently well-meaning consumer demands have had unforeseen effects that were worse than the original problems which the actions were designed to solve. This emphasizes the need for careful research and evaluation of contemplated actions to determine the actual benefit to consumers in relation to the physical and economic results achieved.

Another area of concern is the need for economic controls which have the effect of inhibiting the opportunities for economic growth.

The wage and price controls and the monetary and fiscal policies adopted in recent months seem necessary to attempt to correct economic problems within the U.S. as well as its relation to the economies of other countries.

Kraftco is committed to cooperate with and support this program with the hope and belief it will be successful. A profit oriented economy responsive to changing consumer needs is preferable to a controlled economy. It is hoped, therefore, that the need for the restrictions will be temporary, and removed as soon as practical.

While Kraftco is not unmindful of the potential difficulties of operating its business, it is optimistic about the future and its ability to fulfill its corporate obligations.

Despite short-term changes in the operating environment, in the long term Kraftco is a stable business . . . growing on the strength of diversity of products and areas of operation. Its business is built on quality products and service, and that is the basis for optimism for the future.

The Company's achievements in the operating climate which existed during 1971 are clearly due to the high capabilities and dedication of our employees in all parts of the world. We express our thanks to them for their efforts in contributing to our success.

We thank the members of our Board of Directors for all their help during the past year. We also thank you, our stockholders, for your continued support and interest in Kraftco, and we ask you to extend that interest to help guide and shape the economic and regulatory environment in which your Company and all of us as consumer-producers will operate in the future.

Gordon Edwards
Chairman of the Board

William O. Beers
President

February 25, 1972

Operations Review

In pursuit of the goal of making Kraftco more efficient, more productive and more profitable, and of providing consumers throughout the world with high-quality products, 1971 operations were marked by the continuing introduction of new and improved products; the opening of new markets; a vigorous capital improvement program; and major personnel and functional reorganizations.

New and Improved Products

Our products are formulated and manufactured to meet identified consumer needs and desires. Since demands in the marketplace constantly change and grow, each year scores of new and improved items are made available by Kraftco.

Among these items which were added to our various product lines in 1971 were sour cream dips, ready-to-eat refrigerated puddings, low fat cottage cheese and yogurt from Breakstone; cheese products, confections, salad products, sauces, dessert toppings and margarine from Kraft; specialty chemical products from the HumKo Products operation of the Kra-Pak Division; and several new flavor varieties of ice cream and the first flavored "Light n' Lively" cottage cheese from Sealtest. New products were also introduced to meet the specialized needs of food service customers such as restaurants, schools, hospitals and many others.

In our international markets, new and improved items ranging from cheese products, packaged dinners and ketchup to margarine, salad products, cake mixes and dessert toppings were made available to consumers and institutional customers. Product lines were expanded in 13 countries outside the United States and Canada, namely Belgium, Denmark, Sweden, France, Britain, Germany, Holland, Italy, Spain, Mexico, Venezuela, Australia and the Philippines.

Miracle Whip
Kraft Barbecue Sauce
Wonder for your coffee coffee creamer
HumKo Oil
Kraft Macaroni & Cheese Dinner
Golden Caesar
Kraft Hearth mallows
Home Freezer or Shake Mix
Kraft Caramels
Kraft Grape Jelly
Parkay Margarine

Expanded Markets

In 1971, the joint venture between Kraftco and the Morinaga Milk Industry Co., Ltd., the MK Cheese Co., Ltd., began producing and selling cheese products in Japan. The MK Cheese Co. holds great potential for Kraftco, because it gives us direct, local access to a market of 100 million people who are very conscious of health and nutrition, and whose per capita consumption of cheese is only .5 pounds per person annually, compared with 12 pounds per capita in the United States and an average of over 23 pounds per capita in such European countries as France, Switzerland and Italy. The products of MK Cheese Co. will be an important source of nutrition for the Japanese people.

Breakstone introduced its product line into the Dallas/Fort Worth, Texas, market for the first time. Sealtest expanded the distribution of "Breyers" All-Natural ice cream to 70% of the U.S. markets served by Sealtest, and introduced "Sealtest" All-Natural ice cream in the Toronto, Ontario, market.

Plant Expansion and Improvements

The efficiency and capacity of our production facilities were enhanced in several areas in 1971. The new Kraft 160,000 square foot cream cheese and cheddar cheese plant in Lowville, N.Y., was completed, as were additions to Kraft's plant in Champaign, Ill.: a 120,000 square foot facility for pasta products and a 540,000 square foot cheese processing and distribution center. The Champaign plant now encompasses more than 1,000,000 square feet, space enough for 22 football fields. Construction on Kraft's 1,000,000 square foot plant for cheese and oil-based products, in Allentown, Pa., and Kraft's frozen foods plant, totaling 146,000 square feet, in Mattoon, Ill., progressed and will be completed this year.

In Canada, Kraft took steps to increase capacity for the production of process cheese slices at its Mt. Royal, Quebec, plant, and began operation of a new distribution center in Vancouver, British Columbia.

Kraft also began the expansion of a natural and process cheese products production facility in Haverfordwest, England; the expansion of facilities in Karlsruhe, Germany, for the production of cake mixes and Knackebrot (crackers); and construction of a 238,000 square foot addition to the Fallingbostel, Germany, plant for the production of cheese and salad products, and for warehousing and distribution.

To meet continued increasing demands, Sealtest expanded capacity for "Light n' Lively" yogurt and cottage cheese at its plant in North Lawrence, N.Y., and converted its cottage cheese plant in Chambersburg, Pa., to an improved method of manufacturing which results in products with longer keeping qualities. Sealtest milk plants in Norfolk, Va., Wilson, N.C., and Montreal, Quebec, were among others expanded and modernized to increase capacity and improve efficiency.

Breakstone was able to consolidate production of yogurt and ricotta cheese in upstate New York in an enlarged, modernized plant in South Edmeston and thus was able to close plants in Syracuse and Youngsville, N.Y.

Organizational Changes

Several organizational changes were made during the year to increase the Company's efficiency and to improve our ability to serve our markets.

The Kra-Pak Division, formed as the Company's industrial products and packaging materials Division in 1970, assumed responsibility for certain packaging materials and supplies operations previously supervised by other Divisions. These included packaging materials operations in St. Louis, Mo., Morton Grove, Ill., Mt. Carmel, Pa., Mt. Royal, Quebec, and Baudour, Belgium; and a printing company in Chicago, all of which shifted from Kraft to Metro Containers. HumKo Products took over from Sheffield Chemical the supervision of a non-dairy creamer operation in Osceola, Ark., and now manufactures non-dairy coffee creamers, whip bases and toppings for the food manufacturing and institutional trades. HumKo also took over from Kraft the supervision of an edible oil refinery in Manchester, England.

To meet the needs of its particular business and marketing structure, Sealtest in 1971 took further steps to strengthen local management and increase the impact and expertise of its headquarters staff. This makes possible better communications and greater focus on local market opportunities. As part of this program to increase effectiveness and also efficiency, Sealtest merged several east coast operations into fewer and larger districts, and improved staff service to these districts by appointing regional managers in sales, distribution, accounting, personnel and quality control.

Elsewhere, Sealtest continued its program of consolidating production facilities, and closing unprofitable plants and shipping products in from nearby facilities to serve the affected markets. The result has been that in almost all cases we are continuing to serve consumers with Sealtest products while at the same time ensuring profitable operations in our U.S. milk and ice cream operations.

Kraft successfully restructured its U.S. production, sales and marketing organization to provide greater efficiency, sales concentration, improved communications and greater operating controls. The new organization provides six sales regions, all reporting to Kraft Foods Division Headquarters

in Chicago, in place of the former structure of four subdivisions with headquarters located in Chicago, Dallas, New York and San Francisco.

To strengthen and provide closer coordination in Kraft's overall marketing operations, worldwide marketing managers were appointed in the three major consumer product marketing groups: Non-refrigerated Consumer Products; Margarine, Frozen Foods and Citrus Products; and Cheese Products. This permits more rapid and efficient worldwide application of specialized knowledge and experience.

Advertising

Kraftco advertises throughout the world, in a total of ten languages, for the purpose of providing consumers with a useful service . . . ideas for interesting, nutritious meals. The spirit behind our advertising was most recently recognized when the Kraft Foods Division received the Dallas Advertising League "Pro Bono Publico" (in the public interest) Award for excellence in advertising. The award read: "Given in recognition of the Company's dedication to the art of bringing good food and good food ideas to the American homemaker. The success of Kraft advertising reaffirms the fundamental value of presenting straight-forward, honest and useful information to the consumer."

One major change occurred in Kraftco's advertising activities in 1971. Kraft, which has been a sponsor of weekly network television programs for 25 years, ceased sponsorship of the Kraft Music Hall after the 1970 season. During the new season which began in 1971, with the aim of attaining greater impact with their advertising dollars, Kraft began sponsorship of eight hour-long specials featuring such stars as Bob Hope, Johnny Carson and Perry Como. These specials, which maintain Kraft's tradition of high-quality, tasteful entertainment, supplemented extensive spot T.V. advertisements designed to reach a broader spectrum of the market with greater frequency. The spot advertisements appeared on a variety of weekly programs on the three major networks: NBC, ABC and CBS. Kraft also continued advertising in a host of magazines and other print media.

Kraftco in the Community

Beginning in the fall of 1971, Kraftco underwrote the Saturday broadcasts of "Sesame Street" and "The Electric Company" on public television in New York City. This is an extension of the direct financial support we have been giving to public television for several years.

The award-winning radio program "Higher Horizons", which explains college and education opportunities to urban children, originated in New York and financed by Kraftco, was extended to Chicago and Memphis. A new program, "The Black Professional", to offer career guidance for black college students, was begun in New York.

The Company established a scholarship for home economists at Prairie View A. & M. in Texas, and sponsored five National Merit Scholarships for children of employees.

Kraft continued its program of providing educational materials to teenagers through teacher/home economics publications, with the objective of building an early awareness of nutrition and a balanced diet. Three teaching kits on food buying and preparation were offered in 1971, as well as a new nutritional film titled, "Doing Great Things".

The Company continued to aid employees in their careers through tuition refund programs and employee training programs. Particularly, the Company has tried to help minority employees adjust to their jobs and continues

KRAFT
Beef Ravioli with Tomato Sauce
KRAFT
Macaroni and Cheese
Dining-out Dessert
KRAFT
Mint Mist PIE (Grasshopper Pie)
Snap on DOME
Mint Mist Pie
KRAFT
Veal Parmigiana
NET WT. 11 OZS.
KRAFT
Chocolate Flavored Velvet Nut PIE
KRAFT
Spaghetti with Meat Sauce

to train supervisors to recognize the special needs of newly-employed members of minority groups. This is part of our continuing affirmative action program which since 1965 has resulted in a 70% increase in the number of minority group members employed by Kraftco in the United States.

Environment

As we have indicated previously to stockholders, Kraftco—and the food industry generally—does not have the major problems with pollution facing some other industries. We continue to have a thorough monitoring system of environmental control to be sure we don't develop problems, and that those instances of concern which arise are acted upon without delay.

The Metro Containers operation of the Kra-Pak Division continued its recycling program in 1971, and early in 1972 had collected over 20 million pounds of used glass containers for recycling. Metro, in addition to publicizing its own desire to receive used glass, helped localities in areas surrounding its plants to set up their own recycling programs.

New Corporate Headquarters

Construction of our new Corporate Administrative Center in Glenview, Ill., progressed during 1971, and the building will be ready for occupancy in the spring of 1972. All the headquarters operations currently carried on in New York will be transferred to the new location. These functions are the Comptroller's Department, including Accounting, Financial Analysis, Taxation, Internal Audit and Systems Services; the Treasurer's Department, including Banking and Insurance; the Corporate Secretary's Department; Legal Services; Corporate Planning; Corporate Relations; Government Relations; and Personnel Administration.

KRAFT
NATURAL
AGED SWISS
KRAFT
GOUDA CHEESE
KRAFT
NATURAL
SWISS
CHEESE
Sliced
KRAFT
LONGHORN STYLE
NATURAL
COLBY
CHEESE
Cracker Barrel
Cracker Barrel
Cracker Barrel
Cracker Barrel
Cracker Barrel

Board and Management Changes

Mr. William E. Nuessle, former General Counsel, who retired from active service at the end of January, 1971, retired from the Board of Directors in April, 1971, in accordance with our policy on tenure and retirement. He had been with the Company for 36 years and had served as a Director since 1964.

Elected to the Board in April, 1971 was Mr. John Shedd Reed, President of Santa Fe Industries, Inc., and President and Chief Executive Officer of The Atchison, Topeka and Santa Fe Railway Company.

Mr. M. Joseph Lambert, who had been Vice President, Development and Long Range Planning, of the Kraft Foods Division, was named by the Board to the position of Senior Vice President, Planning and Financial Administration, of the Corporation.

Named Vice Presidents of the Corporation were Messrs. Kenneth B. Fishpaw, Comptroller; William B. Jordan, Treasurer; and Joseph L. Caliri, Secretary. Mr. Herbert F. Marston, President of the Breakstone Sugar Creek Foods Division, was also elected a Vice President of the Corporation.

Dr. Raymond H. Hartigan, who had been a Vice President of Kraftco and President of our Research and Development Division, died July 28. Dr. Hartigan had been with the Company since 1965, and under his direction our research program made important progress.

1971 Financial Review

Sales

Kraftco's 1971 sales were $2,959,636,000, an increase of $208,507,000, or 7.6% over 1970, the previous high for the Corporation. These results reflected a record volume of products sold. Sales outside the United States and Canada were $397,955,000, an increase of $77,608,000, or 24.2% over 1970. In the fourth quarter of 1971, Kraftco translated the financial statements of its international subsidiaries at the new rates of exchange established during the year. This increased 1971 sales by $15,076,000 of which $2,537,000 relates to sales in Canada and $12,539,000 to sales outside the United States and Canada.

Worldwide sales of Manufactured Dairy Products and Processed Food Products increased 10.7% and 10.2%, respectively. They continue to represent the largest portion of our sales, accounting for 41.9% and 35.9% of the total. This is in keeping with the long-term trend in our sales mix toward packaged convenience foods.

Sales of Fluid Milk Products decreased 5.5%, accounting for 13.6% of the total; sales of Ice Cream and Frozen Desserts increased 3.3%, accounting for 5.8%.

Other Products sales increased 11.7%, contributing 2.8% of total sales.

Earnings and Dividends

Consolidated net earnings in 1971 were $91,347,000, an increase of $9,341,000 or 11.4% over 1970. This includes $1,300,000 resulting from the U.S. investment tax credit enacted during the year, and $2,456,000 which resulted from currency revaluations.

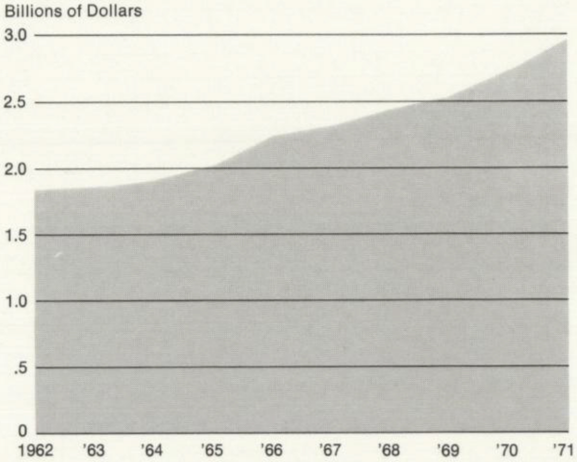
Earnings per share in 1971 were $3.25, up 32¢ from the 1970 level of $2.93. Of this amount, 4¢ resulted from the investment tax credit and 9¢ resulted from the currency revaluations.

Assuming full conversion of the bonds issued in Germany in 1970 by Kraftco International Capital Corporation, earnings per share for the year would be $3.21, compared with $2.92 in 1970.

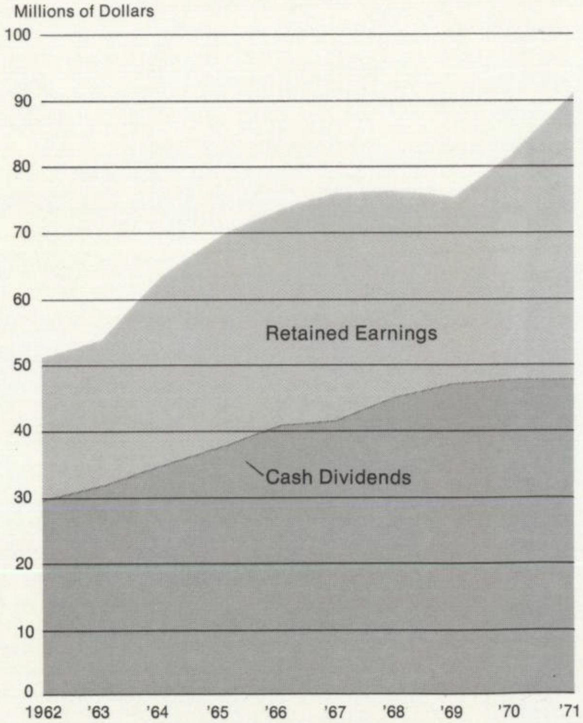
Consolidated earnings before Federal and foreign taxes on income in 1971 were $178,512,000, an increase of 9.3% over the $163,337,000 achieved in 1970.

U.S. milk and ice cream operations increased their contribution to Kraftco's total pre-tax profits for the second year in a row. The improved results, although slight, continued to be attributable to phasing out of certain unprofitable operations, reduction in operating expenses, and a shifting of the product mix to higher-quality, branded items.

Ten Year Sales



Ten Year Earnings



In our operations outside the United States and Canada, pre-tax profits were $23,203,000, an increase of $8,572,000, or 58.6% over the prior year. After-tax profits amounted to $12,002,000, an increase of $5,263,000, or 78.1% over 1970. This improved performance indicates continued strengthening of profit growth in keeping with historic long-term trends. During 1971, the investment in our own sales and distribution facilities in Italy continued to have adverse effects on profits in that market but we are confident that the major development costs are now behind us. In the United Kingdom, however, results were very much improved.

Excluding U.S. milk and ice cream and international operations, pre-tax profits on the balance of Kraftco's business were increased by 3.9% compared with 1970. These results were adversely affected by the price freeze and subsequent controls in the U.S.

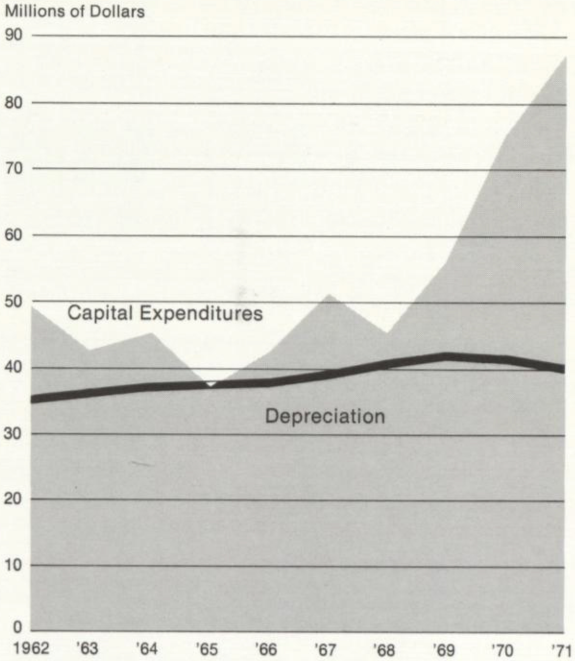
Although we have no way of knowing what operating costs and competitive pricing conditions would have been if controls had not been applied, we do know that in U.S. operations it was not possible to fully offset cost increases resulting in lower margins in some product lines caused by the price freeze and the subsequent price controls.

Early in August, before President Nixon announced the wage and price freeze, we had announced price increases on certain products, reflecting increased costs. On other products we had announced temporary price reductions for promotional and merchandising purposes. After the freeze was announced, we voluntarily rescinded the price increases; we maintained the promotional price reductions, which we were not required to do, and for a period longer than we would have under normal circumstances. This was done in the spirit of cooperating with the President's New Economic Program and to help our customers avoid costs which they could not pass on. These actions had an adverse effect on profitability in the United States which was offset by the substantial improvement in international results.

Total taxes in 1971 on earnings, real estate, equipment, inventories and payrolls were $129,009,000, or $4.59 per share, compared with $118,438,000, or $4.23 per share in 1970.

The cost of our products, including raw materials, packaging and processing expenses was 76.7% of sales in 1971 compared with 76.5% in 1970. Delivery, selling and administrative expenses were 17.2% of sales in 1971, compared with 17.6% in 1970. Included in this amount is the cost of advertising, which was 2.4% of sales in 1971, compared with 2.6% in 1970.

Ten Year Capital Expenditures and Depreciation



Ten Year Sales by Class of Products

as a percent of total net sales

	Manufactured Dairy Products	Processed Food Products	Fluid Milk Products	Ice Cream & Frozen Desserts	Other Products
1971	41.9%	35.9%	13.6%	5.8%	2.8%
1970	40.7	35.1	15.5	6.0	2.7
1969	39.3	33.4	18.2	6.5	2.6
1968	38.1	33.2	19.4	7.1	2.2
1967	38.4	32.5	19.7	7.3	2.1
1966	38.4	32.2	19.6	7.7	2.1
1965	37.4	31.9	20.0	8.5	2.2
1964	37.1	30.8	21.1	8.9	2.1
1963	36.7	29.9	22.1	9.3	2.0
1962	36.7	29.5	22.6	9.2	2.0

Dividends to stockholders during 1971 totaled $47,642,000 an increase of $135,000 over 1970. Dividends per share were $1.70 in 1971 and 1970.

Long-Term Financing

In 1971, $50,000,000 of Kraftco Corporation 6⅞% Sinking Fund Debentures due April 1, 1996 were sold. The net proceeds were added to the general funds of the Company, to be available for general corporate purposes, including plant and other capital expenditures.

1971 and 1972 Capital Expenditures

As a measure of the growth in demand Kraftco is experiencing, our capital expenditures in 1971 were $87 million—the bulk of which was spent to increase production capacity for producing Processed Packaged Foods and Manufactured Dairy Products. That was an increase of about 16% over 1970. In 1972, to meet the demands of continuing growth, we expect capital expenditures will be approximately $100,000,000.

Depreciation charges in 1971 were $40,733,000; estimated depreciation charges for 1972 are $44,000,000.

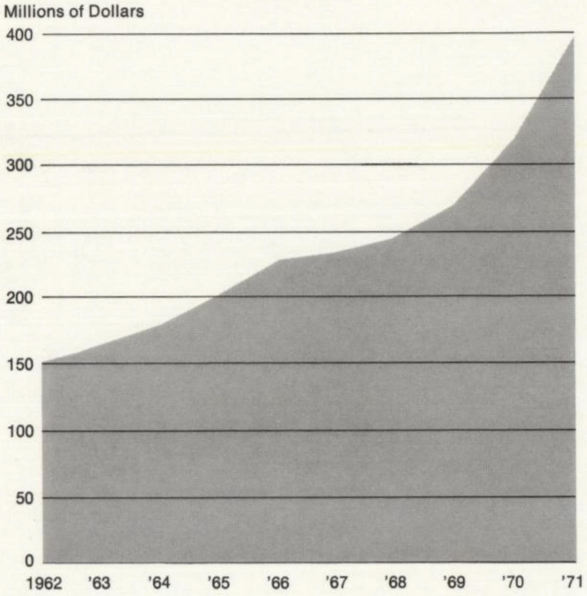
Legal Matters

Several treble damage suits based on alleged violations of the antitrust laws are pending against the Company. It is not expected that any recoveries in these suits will materially affect the Company's financial position or operations.

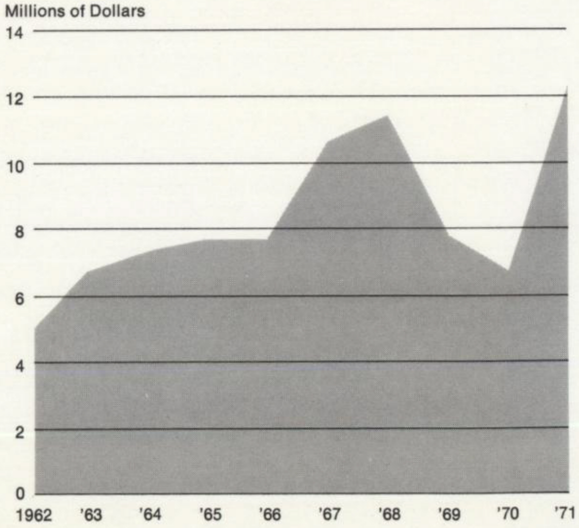
The previously reported 1967 New York indictment of one of the Company's officers has been dismissed by the court and the indictment of the Company was terminated by the payment of a fine of $35,000.

The Company is also a defendant in actions of a character usual for companies operating similar businesses. In addition, several governmental agencies have requested information from the Company in connection with investigations being conducted by them. See also the comments on Contingent Liabilities in the Notes to Consolidated Financial Statements.

Ten Year International Sales (Excl. Canada)



Ten Year International Earnings (Excl. Canada)



Breakstone FRENCH STYLE VANILLA PUDDING ready to eat
Breakstone FRENCH STYLE VANILLA FLAVORED PUDDING ready to eat
2.5 OZ.
READY TO EAT
Breakstone SWISS STYLE ******** DARK CHOCOLA FLAVORED
Breakstone Flan caramel pudding
Kraftco Corporation RESEARCH AND DEVELOPMENT DIVISION 801 Waukegan Road Glenview, Illinois 60025 (312) 724-6000
Research Sample of:-
B/P CARAMEL
Kraftco Corporation RESEARCH AND DEVELOPMENT DIVISION
Breakstone SWISS STYLE DARK CHOCO
1000

Catalina
FRENCH DRESSING
Algin derivative added.
Calcium disodium EDTA added to protect flavor.
ONE GALLON
KRAFT FOODS, CHICAGO, ILL.
Division of Kraftco Corporation
KRAFT
EXTRA HEAVY
MAYONNAISE
for Hotels and Restaurants
ONE GALLON

Financial Statements

Auditors' Report

To the Board of Directors and Stockholders
of Kraftco Corporation:

We have examined the consolidated balance sheets of Kraftco Corporation (a Delaware corporation) and Subsidiaries as of December 25, 1971 and December 26, 1970, the related consolidated statements of income, retained earnings and changes in financial position for the years then ended, and the accompanying statements of financial position and income of International Subsidiaries. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated financial statements present fairly the financial position of Kraftco Corporation and Subsidiaries as of December 25, 1971 and December 26, 1970, and the results of their operations and changes in financial position for the years then ended, and the accompanying statements of financial position and income of International Subsidiaries present fairly the information set forth therein, all in conformity with generally accepted accounting principles consistently applied during the periods.

Arthur Andersen & Co

New York, N.Y.,
February 18, 1972.

SHIP THIS SIDE UP
KRAFT
Tomato Soup
GOLD LABEL
GOLDEN LIQUID SHORTENING
Imperial
Green Goddess
DRESSING
Salad Dressing
Tomato Ketchup
Stagger Stack

Consolidated Balance Sheets

Assets

	December 25, 1971	December 26, 1970
Current Assets:		
Cash and temporary investments	**$ 84,989,923**	$ 51,653,266
Notes and accounts receivable, less allowance for losses ($6,201,059 in 1971 and $5,747,633 in 1970)	**192,726,721**	184,772,334
Inventories, at lower of average cost or market—		
Products and materials	**381,215,743**	333,471,715
Supplies	**29,656,745**	29,558,455
Total current assets	**$ 688,589,132**	$ 599,455,770
Property, Plant & Equipment, at cost:		
Land	**$ 25,620,973**	$ 26,421,473
Buildings	**301,397,537**	275,985,783
Machinery and equipment	**508,945,833**	479,620,859
	$ 835,964,343	$ 782,028,115
Less—Accumulated depreciation (See note)	**405,638,431**	392,990,777
	$ 430,325,912	$ 389,037,338
Other Assets:		
Miscellaneous investments and receivables	**$ 8,789,013**	$ 10,161,964
Prepaid and deferred items	**8,767,143**	5,505,255
Intangibles (See note)	**27,319,302**	27,204,918
	$ 44,875,458	$ 42,872,137
	$1,163,790,502	$1,031,365,245

(See Notes to Consolidated Financial Statements, page 22.)

Liabilities and Stockholders' Equity

	December 25, 1971	December 26, 1970
Current Liabilities:		
Accounts payable and accrued liabilities	**$ 211,093,500**	$ 192,556,883
Short-term loans of International Subsidiaries	**25,621,817**	27,440,895
Federal and foreign taxes on income	**29,662,572**	19,914,463
Current portion of long-term debt, less amounts provided for payment ($2,450,000 in 1971 and 1970)	**892,500**	1,115,000
Total current liabilities	**$ 267,270,389**	$ 241,027,241
Long-Term Debt (See note)	**$ 140,325,071**	$ 82,875,071
Other:		
Deferred taxes on income	**$ 15,060,854**	$ 14,415,740
Reserves for insurance, etc.	**6,751,656**	6,227,918
Minority interest in subsidiary	**1,991,388**	1,764,612
	$ 23,803,898	$ 22,408,270
Contingent Liabilities (See note)		
Stockholders' Equity (See note):		
Preferred stock, $1.00 par value—authorized 10,000,000 shares; Issued—None	**$ —**	$ —
Common stock, $2.50 par value—authorized 60,000,000 shares	**73,534,580**	73,420,567
Capital surplus	**49,536,375**	48,179,430
Retained earnings (at December 25, 1971, $179,225,000 restricted as to payment of dividends under indentures)	**664,548,151**	620,842,595
	$ 787,619,106	$ 742,442,592
Less—Treasury stock, at cost	**55,227,962**	57,387,929
Stockholders' equity	**$ 732,391,144**	$ 685,054,663
	$1,163,790,502	$1,031,365,245

(See Notes to Consolidated Financial Statements, page 22.)

Consolidated Statements of Income

Kraftco Corporation . . . and Subsidiaries

	52 Weeks Ended December 25, 1971	52 Weeks Ended December 26, 1970
Income:		
Net sales	**$2,959,635,732**	$2,751,129,371
Other income	**9,626,621**	9,613,980
Total	**$2,969,262,353**	$2,760,743,351
Costs and expenses:		
Cost of products	**$2,269,491,932**	$2,103,405,060
Delivery, selling and administrative expense	**510,071,903**	484,058,356
Interest on long-term debt	**7,249,709**	4,339,832
Miscellaneous charges, net	**3,936,541**	5,603,437
Total	**$2,790,750,085**	$2,597,406,685
Income before Federal and foreign taxes	**$ 178,512,268**	$ 163,336,666
Provision for Federal and foreign taxes on income	**87,165,000**	81,331,000
Net income for the year	**$ 91,347,268**	$ 82,005,666
Earnings per common and common equivalent share	**$ 3.25**	$ 2.93
Earnings per common share assuming full conversion of the 7½% Convertible Bearer Bonds issued as of September 1, 1970	**$ 3.21**	$ 2.92

Consolidated Statements of Retained Earnings

	52 Weeks Ended December 25, 1971	52 Weeks Ended December 26, 1970
Balance at beginning of year	**$ 620,842,595**	$ 586,344,146
Net income for the year	**91,347,268**	82,005,666
	$ 712,189,863	$ 668,349,812
Dividends on common stock ($1.70 per share in 1971 and 1970)	**47,641,712**	47,507,217
Balance at end of year	**$ 664,548,151**	$ 620,842,595

(See Notes to Consolidated Financial Statements, page 22.)

Consolidated Statements of Changes in Financial Position

	52 Weeks Ended December 25, 1971	52 Weeks Ended December 26, 1970
Working Capital Provided By:		
Operations—		
Net income for the year	**$ 91,347,268**	$ 82,005,666
Non-cash charge—Depreciation	**40,732,653**	42,028,913
	$ 132,079,921	$ 124,034,579
Issuance of 6⅞% Debentures due 1996	**50,000,000**	—
Issuance of mortgage payable due 1973/93	**5,000,000**	—
Issuance of 7½% Convertible Bearer Bonds due 1985	**—**	27,300,000
Translation of currencies	**3,218,741**	—
Sale of common stock under options	**2,677,199**	1,202,049
Other sources, net	**814,792**	508,192
	$ 193,790,653	$ 153,044,820
Working Capital Used For:		
Dividends paid on common stock	**$ 47,641,712**	$ 47,507,217
Property, plant and equipment additions, net	**82,021,227**	71,166,809
Decrease in long-term debt	**1,237,500**	1,801,703
	$ 130,900,439	$ 120,475,729
Increase in Working Capital	**$ 62,890,214**	$ 32,569,091
Changes in Working Capital Represented By:		
Cash and temporary investments	**$ 33,336,657**	$ (3,857,568)
Notes and accounts receivable, net	**7,954,387**	6,199,177
Inventories	**47,842,318**	21,946,870
Accounts payable and accrued liabilities	**(18,536,617)**	(19,949,700)
Short-term loans of International Subsidiaries	**1,819,078**	(2,415,630)
Federal and foreign taxes on income	**(9,748,109)**	1,052,942
Current portion of long-term debt	**222,500**	29,593,000
Increase in Working Capital	**$ 62,890,214**	$ 32,569,091

(See Notes to Consolidated Financial Statements, page 22.)

Depreciation

Depreciation charges are generally computed on a straight-line basis over estimated useful lives of buildings and estimated composite group lives of machinery and equipment.

Intangibles

Intangibles represent the excess of the purchase prices paid over the net book values of the tangible assets of certain businesses acquired in transactions initiated prior to November 1, 1970. The Company does not now intend to amortize items carried in this account.

Employees' Stock Options

At December 25, 1971, 1,449 employees (including officers) held options to purchase an aggregate of 476,380 shares of the Company's common stock at prices ranging from $30.25 to $41.65 per share. At that date, options for 250,784 shares were exercisable and options for 342,475 were available for future grants. No options were granted during the year. Options to purchase 75,836 shares were exercised at prices ranging from $30.25 to $41.65 per share.

Company Pension Plans

The Company and its subsidiaries have several pension plans. It is the Company's general policy to provide and fund current service costs and interest on unfunded past service costs annually and, beginning in 1971, to amortize past service costs over 40 years. This change did not have a material effect on total pension costs. At January 1, 1971, employees' vested benefits under these plans were fully funded. The Company also contributes to joint industry and union plans. Substantially all employees are covered under one or more of the above plans. Total pension costs approximated $18,000,000 in 1971 and $16,450,000 in 1970.

Contingent Liabilities

Substantial amounts are involved in various legal proceedings in which the Company is a defendant. It is not feasible to predict or determine the outcome of these proceedings or the ultimate liabilities, if any, which might result, but it is believed that the outcome would not materially affect the Company's consolidated financial position or operations.

Long-Term Debt

All of the issues of debentures and debenture stock, other than the 7½ % Convertible Bearer Bonds, have sinking fund or prepayment requirements. The amounts shown below as outstanding at December 25, 1971, exclude maturities and sinking fund requirements included in current liabilities, and $3,002,000 of debentures held in treasury in excess of current sinking fund requirements.

	December 25, 1971	December 26, 1970
Kraftco Corporation		
3⅛ % Debentures due 1976	**$ 14,894,000**	$14,944,000
4⅜ % Debentures due 1992	**30,204,000**	30,214,000
6⅞ % Debentures due 1996	**50,000,000**	—
2% Mortgage—Pennsylvania Industrial Development Authority due 1973/93	**5,000,000**	—
Bank Loans due 1973/74 (Eurodollars)	**3,987,071**	3,987,071
Kraftco International Capital Corporation		
7½ % Convertible Bearer Bonds due 1985 (Deutsche Marks)	**30,600,000***	27,300,000
English Subsidiary		
Debenture Stock due 1975	**5,355,000**	5,280,000
Bank Loan due 1972	**—**	600,000
Venezuelan Subsidiary		
Bank Loan due 1972/73	**285,000**	550,000
	$140,325,071	$82,875,071

*Increase over 1970 is due to translation of Deutsche Marks at a higher rate.

The 7½ % Convertible Bearer Bonds of Kraftco International Capital Corporation are convertible into 649,350 shares of common stock of Kraftco Corporation.

Capital Transactions

	Number of Shares		**Amount**		
	Common Stock	**Treasury Stock**	**Common Stock**	**Treasury Stock**	**Capital Surplus**
December 26, 1970	29,368,227	1,402,784	$73,420,567	$57,387,929	$48,179,430
Used for—					
Management Incentive Compensation Plan	—	12	—	490	28
Stock options exercised	45,605	30,231	114,013	1,236,751	1,326,435
Acquisition of new business	—	22,555	—	922,726	30,482
December 25, 1971	29,413,832	1,349,986	$73,534,580	$55,227,962	$49,536,375

International Subsidiaries (other than Canadian)

Statements of Income

	52 Weeks Ended December 25, 1971	52 Weeks Ended December 26, 1970
Income:		
Net sales	$ 397,955,149	$ 320,347,580
Other income	1,417,205	1,230,237
Total	$ 399,372,354	$ 321,577,817
Costs and expenses:		
Cost of products	$ 310,184,823	$ 248,607,896
Delivery, selling and administrative expense	67,297,267	57,710,041
Interest on long-term debt	535,728	629,080
Gain on translation of currencies (balance sheet items)	(1,848,720)	—
Total	$ 376,169,098	$ 306,947,017
Income before taxes	$ 23,203,256	$ 14,630,800
Provision for taxes on income	11,201,081	7,891,420
Net income for the year	$ 12,002,175	$ 6,739,380

Statements of Financial Position

	December 25, 1971	December 26, 1970
Cash and temporary investments	$ 10,614,565	$ 7,975,236
Notes and accounts receivable	37,435,539	32,121,955
Inventories	74,903,228	58,419,653
Total current assets	$ 122,953,332	$ 98,516,844
Current liabilities	77,417,366	64,083,502
Working capital	$ 45,535,966	$ 34,433,342
Property, plant and equipment, less accumulated depreciation	53,377,711	50,646,011
Other assets	3,030,733	2,249,497
	$ 101,944,410	$ 87,328,850
Less—Long-term debt and reserves	9,877,600	9,856,877
Net tangible assets	$ 92,066,810	$ 77,471,973

The above accounts are included in the Consolidated Financial Statements.

Light n' Lively
BRAND
HOMOGENIZED
FORTIFIED LOWFAT
MILK
Sealtest
Light n' Lively
Breyers
GALLON
99% FAT FREE
ONLY 1% FAT
ARTIFICIAL COLOR ADDED
RAINBO SHERBET
ORANGE SHERBET · RED RASPBERRY SHERBET · LIME SHERBET
ONE HALF GALLON
SEALTEST FOODS, 605 THIRD AVE., N.Y.C. 10016
DIVISION OF KRAFTCO CORPORATION
Breyers
all natural ice cream

Ten Year Summary

(Dollar amounts in thousands, except per share figures)

	1971	1970	1969
Income and Dividends:			
Net sales	**$2,959,636**	$2,751,129	$2,580,905
Income before Federal and foreign taxes on income	**178,512**	163,337	156,346
Net income after taxes	**91,347**	82,006	75,625
Dividends	**47,642**	47,507	47,077
Per share of common stock:			
Net income after taxes	**$3.25***	$2.93*	$2.69
Dividends	**$1.70**	$1.70	$1.675
Financial Position:			
Cash and temporary investments	**$ 84,990**	$ 51,653	$ 55,511
Notes and accounts receivable, net	**192,727**	184,773	178,573
Inventories	**410,872**	363,030	341,083
Total current assets	**688,589**	599,456	575,167
Total current liabilities	**267,270**	241,027	249,308
Working capital	**421,319**	358,429	325,859
Property, plant and equipment, net	**430,326**	389,037	359,899
Total assets	**1,163,791**	1,031,365	977,684
Long-term debt	**140,325**	82,875	57,377
Stockholders' equity	**732,391**	685,055	649,119
Per share of common stock	**$26.10**	$24.50	$23.25
Statistical Information:			
Capital expenditures	**$ 87,356**	$ 75,526	$ 56,511
Depreciation charged during the year	**40,733**	42,029	42,305
Total taxes—income, property and other	**129,009**	118,438	114,096
Per share of common stock	**$4.59**	$4.23	$4.06
Interest on long-term debt	**7,250**	4,340	3,722
Payroll	**392,997**	368,038	346,973
Average number of employees	**48,091**	48,179	48,160
Number of stockholders at year end	**71,461**	71,538	71,584
Number of shares of common stock outstanding at year end (in thousands)	**28,064**	27,965	27,921

Per share figures for all years prior to 1966 have been adjusted for the two-for-one stock split in 1966.

*$3.21 in 1971 and $2.92 in 1970 assuming full conversion of the 7½% Convertible Bearer Bonds.

1968	1967	1966	1965	1964	1963	1962
$2,428,106	$2,318,587	$2,251,725	$2,017,280	$1,919,945	$1,838,971	$1,820,538
151,576	140,950	135,476	129,057	123,951	110,444	104,478
76,162	76,120	73,461	69,902	63,784	54,018	51,303
44,886	41,641	40,413	37,664	34,729	31,703	29,411
$2.67	$2.65	$2.55	$2.41	$2.20	$1.87	$1.78
$1.575	$1.45	$1.40	$1.30	$1.20	$1.10	$1.02
$ 92,913	$ 84,701	$ 69,466	$ 117,082	$ 113,846	$ 93,341	$ 89,551
159,044	140,469	134,830	121,815	112,070	105,340	97,155
310,453	310,831	310,832	250,928	241,754	244,738	238,713
562,410	536,001	515,128	489,825	467,670	443,419	425,419
202,750	190,449	189,524	180,824	171,055	161,021	156,883
359,660	345,552	325,604	309,001	296,615	282,398	268,536
346,691	343,650	334,347	330,866	332,136	329,440	326,603
948,145	915,344	884,518	852,652	824,629	796,721	774,267
87,728	85,145	87,732	89,322	95,638	109,071	116,599
638,697	622,280	592,680	566,239	538,638	507,107	482,467
$22.41	$21.66	$20.58	$19.56	$18.58	$17.56	$16.78
$ 45,799	$ 51,600	$ 42,481	$ 37,767	$ 45,450	$ 42,667	$ 49,235
41,206	39,980	38,481	38,222	37,897	36,955	35,946
105,876	92,425	89,072	82,636	83,299	79,798	75,542
$3.71	$3.21	$3.09	$2.85	$2.87	$2.76	$2.63
3,590	3,485	3,552	3,483	3,759	4,129	3,711
323,257	309,905	301,407	280,983	274,546	271,908	273,263
47,007	47,060	46,525	45,157	45,172	46,432	47,596
71,702	72,352	71,240	68,762	69,073	68,682	69,727
28,339	28,672	28,801	28,936	28,988	28,870	28,740

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Philadelphia

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President, Kraft Foods Division
Chicago

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Manufacturers Hanover Trust Company
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Louis E. Lynch
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Vice President

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Catharine Fournier
Assistant Secretary

Mary P. O'Brien
Assistant Secretary

Conrad G. Olson
Assistant Comptroller

John E. Quinn
Assistant Treasurer

Roger H. Willis
Assistant Comptroller

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Walter N. Thayer
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John L. Weinberg
J. Huber Wetenhall

Corporate Data

Counsel

Sullivan & Cromwell

Transfer Agents

Manufacturers Hanover Trust Company
4 New York Plaza, New York, New York 10015

National Boulevard Bank of Chicago
400 North Michigan Avenue, Chicago, Illinois 60611

Bank of America N.T. & S.A.
One South Van Ness Avenue, San Francisco, California 94120

The Royal Trust Company
630 Dorchester Boulevard West, Montreal 110, P.Q., Canada
Royal Trust Tower, Toronto-Dominion Centre, Toronto 116, Ont., Canada

*Commonwealth Trading Bank of Australia
233 Collins Street, Melbourne, Victoria, Australia

Registrars

The Chase Manhattan Bank, N.A., New York
Continental Illinois National Bank and Trust Company
of Chicago, Chicago
Wells Fargo Bank, San Francisco
Montreal Trust Company, Montreal and Toronto
*The Wales Nominees (Vic.) Pty. Limited, Melbourne

Stock Exchanges

New York, Chicago, San Francisco, Montreal, Toronto, *Adelaide, *Melbourne, *Sydney, London, Brussels, Antwerp, Frankfurt/Main, Basle, Berne, Geneva, Lausanne, Zurich. U.S. Trading Symbol: KRA.

**For shares represented by Australian certificates only.*

Auditors

Arthur Andersen & Co.

HUMKO PRODUCTS
Division of Kraftco Corporation Memphis, Tennessee 38101
KEM
HUMKO PRODUCTS
Division of Kraftco Corporation Memphis, Tennessee 38101
HYSTRE
PRODUCT
HUMKO PRODUCTS
Division of Kraftco Corporation Memphis, Tennessee 38101
KEMAM
PRODUCT
AMIDE E
SHEFFIELD CHEMICAL
N-Z-AMINE® TYPE B
ENZYMATIC DIGEST OF CASEIN
Sample No. 1
SHEFFIELD CHEMICAL
FERM AMINE TYPE I
Sample No. 21

Principal Divisions and Operations

United States Operations

Kraftco conducts its business in the United States through five Divisions.

Kraft Foods Division originated in 1903 in Chicago, and became part of Kraftco in 1930. This Division makes and markets hundreds of food products throughout the United States. Kraft's history is marked by the innovation of important advances in the processed packaged food products field, such as process cheese, the first successful processed packaged cheese product with good keeping qualities and uniformity of flavor and texture, and Miracle Whip Salad Dressing. Besides its long-popular cheese and salad products, Kraft Foods has steadily diversified its product lines over the years and today markets a wide range of foods such as: jellies and preserves, margarine, confections, dry dinner mixes, cooking oil and shortening, and fruit salads. In addition to products sold in retail outlets, Kraft Foods does an extensive business with members of the food service industry such as restaurants and cafeterias, and also provides many products for use as ingredients in the products made by other companies.

The Kraft Foods Division. Left to right: G. C. Hatfield, Senior Vice President, Distribution; C. M. Carter, Senior Vice President, Financial; C. R. Green, Senior Vice President, Marketing; O. E. Swain, Vice President of the Corporation, Director, and President, Kraft Foods Division; C. R. LeMaster, Senior Vice President, Sales and Sales Operations; L. Davis, Senior Vice President, Production; H. M. Connelly, Senior Vice President, International.

Sealtest Foods Division, headquartered in New York City, resulted from a 1952 consolidation of the Company's many milk and ice cream operations, several dating back to the 1800's. Today Sealtest is one of the nation's leading manufacturers and marketers of dairy foods distributing an extensive product line including ice cream, fluid milk, cream, cottage cheese, yogurt and milk by-products, butter and fruit juices. Sealtest's distribution area extends chiefly from the Atlantic Coast through the Mid-West. The Division markets most of its products under the widely advertised "Sealtest" brand. In addition, ice cream is also sold under the long-established "Breyers" trademark. A line of low-fat milk, ice milk and dairy specialty products also is marketed under the "Light n' Lively" trademark.

The Sealtest Foods Division. Left to right: F. Rasmussen, Vice President, Operations; J. R. Edwards, Vice President of the Corporation, Director, and President, Sealtest Foods Division; A. I. Supplee, Vice President, Marketing; D. L. Crocker, Vice President and Comptroller; R. F. Zogby, Vice President, Sales.

Breakstone Sugar Creek Foods Division, whose headquarters is in New York City, was created in 1968, through the consolidation of the operations of the former Breakstone Foods and Sugar Creek Foods Divisions. This was done to strengthen marketing effectiveness of both Divisions and broaden the geographical area of distribution. Breakstone joined Kraftco Corporation in 1928. Beginning in 1882 with the sale of its dairy products in New York City, Breakstone now distributes throughout the eastern seaboard of the United States, including Puerto Rico, and in the Fort Worth, Dallas, Houston, and Indianapolis market areas. Cottage cheese, sour cream, cream cheese, yogurt and other cultured milk products are marketed under the "Breakstone" and "Temp-Tee" brands. Sugar Creek operations, which began in 1910 in Watseka, Ill., became part of Kraftco in 1929. Its products include quality butter, powdered milk and ice cream mixes and flavor bases for soft drinks and syrups. Market areas are principally in the Midwest and Southwest.

The Breakstone Sugar Creek Foods Division. Sitting left to right: Thomas E. Neves, Vice President—Branded Products Sales; Robert L. Crane, Vice President—Finance; Herbert F. Marston, Vice President of the Corporation and President, Breakstone Sugar Creek Foods Division; Eugene F. Murphy, Vice President—Physical Distribution. Standing left to right: Robert G. Christie, Vice President—Production; James S. Erickson, Vice President; Hyman Hurwitz, Vice President—Personnel and Labor Relations.

The Kra-Pak Division. Standing: Bryant H. Prentice, Jr., Vice President of the Corporation and President, Kra-Pak Division. Seated, left to right: Sam Cooper, President, HumKo Products; John E. Bellinger, President, Metro Containers; William D. Milford, General Manager, Sheffield Chemical.

Kra-Pak Division, created in 1970, consists of HumKo Products, Metro Containers and Sheffield Chemical operations. HumKo Products, headquartered in Memphis, was formed in 1930 and joined Kraftco in 1952. HumKo refines and markets a variety of edible oils and shortenings which are distributed both for consumer use and for use by food processors. HumKo also produces and sells a line of high-quality fatty acids and chemicals which are used by many leading industries throughout the United States. It supervises large modern refineries in Memphis, Tenn., Champaign, Ill., Buena Park, Cal., and in Manchester, England.

Metro Containers, headquartered in Jersey City, N.J., a part of Kraftco since 1956, makes glass containers and other packaging materials for use in the food, beverage, drug, chemical, cosmetics, household products, and other industries. It supervises operations in Jersey City and Carteret, N.J., Dolton and Chicago, Ill., Washington and Mt. Carmel, Pa., Mt. Royal, Quebec and Baudour, Belgium.

Sheffield Chemical, headquartered in Union, N.J., is a processor and distributor of food bases and pharmaceutical chemicals for industrial users throughout the United States.

Research and Development Division is responsible for coordinating Kraftco's applied and fundamental research. Located at Glenview, Ill., the Research Center is one of the largest and best equipped facilities in the food industry; it is competently staffed with several hundred skilled scientists, chemists, nutritionists, engineers, and technical aides. Research and Development also operates the Company's Research Farm in Danville, Ill., which conducts feeding experiments with livestock. Kraftco's research and development effort began in 1928, and today the Research and Development Division works with the Company's operating divisions in the product innovation and product improvement effort.

Canadian Operations

The Kraft Foods Division supervises two Canadian subsidiaries: **Kraft Foods Limited,** which manufactures and distributes processed food products and manufactured dairy products under substantially the same trademarks used in the United States; and **Vancouver Fancy Sausage Co.,** which manufactures and distributes specialty meat products. The Sealtest Foods Division supervises another Canadian subsidiary, **Dominion Dairies Limited,** which produces and distributes fluid milk products, various manufactured dairy products and ice cream and frozen desserts in the provinces of Ontario and Quebec, principally under the trademark "Sealtest."

International Operations

Operations in Australia, Belgium, Britain, Denmark, Germany, Ireland, Italy, Mexico, New Zealand, Panama, Philippines, Spain, Sweden and Venezuela produce and distribute processed food products and manufactured dairy products under the "Kraft" trademark. These subsidiaries are supervised by the Kraft Foods Division. The MK Cheese Co., jointly owned by Kraftco and Morinaga Milk Industry Co., Ltd., has been formed to produce processed cheese products in Japan.

KRAFT
feine Backmischung
Marmorkuchen
salad cream
CAJETA
vainilla
Curry Ketchup
BONOX
dairylea
CHEESE SPREAD
6oz 170G SIX LARGE PORTIONS

VOLVET
au beurre · met boter
100G
-Suisse

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Kraft Foods Division
Sealtest Foods Division
Breakstone Sugar Creek Foods Division
Kra-Pak Division
Research and Development Division

Printed in U.S.A.